Fund Manager Commentary

As of December 31, 2024

Fund Highlights

- Seeks to maximize total return by investing in market sectors and securities that are considered undervalued for their risk characteristics
- Focus is placed on high-quality securities, many with beneficial structures such as government guarantees or significant tangible collateral support; there is limited exposure to non-investment grade securities
- Prefers to invest in securities of government programs and companies that have sustainable operating models by considering a wide range of factors including, but not limited to, support for economic development, home ownership and job creation
- Utilizes a traditional long-only investment style and invests directly in cash bonds
- Does not invest in futures contracts, options, credit default swaps or derivatives
- Constructs a diversified portfolio across issuer, sector and industry that strives to maximize yield while minimizing the risks inherent in fixed income investing

Market Recap

The macro environment and economic outlook improved throughout the fourth quarter. Personal incomes continued to outpace the rate of inflation, in turn supporting consumption which continued to evidence strength as seen through retail sales data and robust spending during the holiday season. Third quarter GDP growth of 3.1% was revised higher during the period, driven by an increase in personal consumption. Though the labor market softened modestly, much of the increase in unemployment was driven by a higher quits rate, signaling workers feel confident about their finances and job prospects. The election of Donald Trump added further optimism that tax cuts and a deregulatory approach will benefit growth, more than offsetting the negative side effects of tariffs.

The only consistent source of data which did not break in the market's preferred direction was inflation, which demonstrated signs of stagnation if not re-acceleration toward a higher level. The Consumer Price Index rose 30 basis points (bps) to 2.7% year-over-year while Core PCE was mostly steady at 2.8% year-over-year.

Despite these economic trends, the U.S. Federal Reserve Board (Fed) lowered rates twice during the quarter, bringing the cumulative amount of rate cuts since September to 100bps. Though these actions naturally brought down the front end of the yield curve, intermediate and long rates advanced during the quarter. The 10-year U.S. Treasury finished December at 4.6%, up nearly 80bps during the quarter. The increase in intermediate and longer-term rates reflected beliefs of higher inflation expectations, a strong economy raising the required investment hurdle, a higher neutral rate implication, a strong dollar weighing on foreign demand for U.S. assets, and a renewed focus on the U.S. fiscal situation.

The degree by which long rates have increased in the face of decreases in the federal funds rate is unusual in historical context. The negative impact from these rate moves offset much of the income and spread tightening experienced by fixed income markets this year.

The increase in yields during the quarter dominated performance, driving the Bloomberg U.S. Aggregate Bond Index down to a total return of -3.06% during the quarter and 1.25% for the full year.

While the macroenvironment pushed rates higher and weighed on fixed income returns, it benefitted the other factors affecting total returns. Most notably was the tightening of spread products. Corporate bonds tightened by 25bps during the year, with nearly half of that compression occurring in the fourth quarter alone. This debt benefitted from the strong economic outlook and strong credit profiles. Utilities generated the brightest light within the corporate

(continued)

Performance data quoted represents past performance, which is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than performance data given. ***For performance information current to the most recent month-end, visit TouchstoneInvestments.com/mutual-funds.***

sector. This is due to a projected increase in demand and generation capacity to help fuel the needs of data centers and artificial intelligence.

Rate volatility increased meaningfully during the period which weighed on the performance of Agency Single-Family Mortgage-Backed Securities (SFMBS). In fact, the sector was the only major sector to deliver negative excess returns during the period. Despite this performance, SFMBS have held in remarkably well given the degree of rate volatility. These bonds were buoyed by the return in demand from U.S. banks, resulting from freed up capital due to a downshift in the Basel III Endgame requirements.

Portfolio Review

The Touchstone Impact Bond Fund (Class A Shares, Load Waived) outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended December 31, 2024.

Given our duration neutral approach and overweight to spread products, the macroeconomic environment largely benefitted the portfolio.

Our overweight in Utilities, Asset-Backed Securities, and U.S. Agency bonds were the largest contributors to performance. Additionally, our positioning in Mortgage-Backed Securities (MBS) benefitted performance as well, given Agency Multi-Family Mortgage-Backed Securities (MFMBS) well outpaced SFMBS; we are materially overweight the former while materially underweight the latter. SFMBS were the worst performing sector class of bonds during both the quarter and the year.

The overall tightening in credit spreads was a headwind for the Fund. While the Fund's allocation to credit is on target with that of the benchmark, the Fund's sensitivity to BBB-rated credits and its credit spread duration are less than that of the benchmark. As spreads tightened, this benefitted the benchmark more than the Fund.

The main contributors to the Fund were the overweight to Utilities, U.S. Small Business Administration (SBA) securities, and MFMBS. The Fund obtains much of its long duration exposure through Utilities. Utilities outperformed its Financial and Industrial peers. Our overweight to this long end of the corporate bond market benefitted the Fund's performance during the period.

While the strong performance and tightening of credit has grabbed fixed income headlines this year, our SBAP bonds flew under the radar and have tightened significantly more. This has created a material performance tailwind. This tailwind was strong during the quarter but was even more powerful throughout the year.

MFMBS bonds outperformed SFMBS during the period. Our overweight to this sector, which is used in part to complement our SFMBS holdings, benefitted the Fund's performance during the period.

The main detractors from the Fund were security selection within Utilities, an overweight to Separate Trading of Registered Interest and Principal Securities (STRIPS), and an underweight to BBB-rated securities. While our overweight to Utilities benefitted the Fund, our security selection within the sector weighed against performance. The Fund is largely invested in regulated entities, and the deregulated entities outperformed their regulated counterparts meaningfully.

Long duration Treasuries were the worst performing bonds during the quarter and the STRIPS owned to help manage duration are the longest duration Treasuries available. The Fund's underweight spread duration allocation to BBB-rated bonds detracted from performance during the quarter.

There were no significant changes to the Fund's positioning during the quarter. The Fund's effective duration of 5.89 continues to be approximately matched to that of the benchmark, representing 99% of the benchmark's effective duration as of quarter end. The Fund entered the quarter at 99% of the benchmark's duration. Changes in interest rates had little relative impact on returns.

The yield curve steepened meaningfully during the quarter. The Fund's portfolio is actively managed to be approximately yield curve neutral, leading to little impact on returns.

Outlook and Conclusion

With the 10-year Treasury yielding 4.6% at quarter-end, U.S. fixed income is priced attractively against peers and across other asset classes. Across 24 developed nations, the U.S. & UK (each at 4.6%) trailed only Iceland. Across assets, this is the first time since 2002 that the 10-year Treasury yield is higher than the earnings yield of the Russell 1000.

While yields in the U.S. have moved into a more attractive area, spreads are quite tight. However, these spreads remain supported by the overall demand for access to the higher yielding U.S. bond market. This is most apparent in corporate bonds, where spreads are the tightest they have been since 1997. Away from the supportive technical backdrop, fundamentally these tight levels are warranted for a variety of reasons including: the economic environment is supportive, distressed corporate debt has decreased to a minuscule level, net leverage is near a three-decade low, and margins are well above average.

However, even with these fundamentals in place and leverage low, spreads are sufficiently tight so that the spread compensation for that level of leverage is still the lowest it has been since the 2008 global financial crisis. Similarly, the amount of spread income for the duration exposure assumed is also bouncing against its lows. This creates a challenge going forward as there is little reason to believe the rally in credit should reverse in the short term, but at the same time valuations are significantly rich. On balance, we view the corporate market as largely priced-to-perfection and have reduced our exposure. At some point the credit cycle will turn, and we have attractive alternatives to deploy capital into while we wait.

While corporate credit is historically tight, the opposite is true for SFMBS. This presents both a challenge and an opportunity for the Fund. We have historically carried an

(continued)

underweight position in this sector due to its poor structure and negative convexity. However, it appears the probability of significantly lower rates has diminished, creating opportunities on the higher end of the SFMBS coupon stack. These bonds are still largely priced at a discount and would perform if rates were to fall, but also offer attractive spread levels and earn most of the return through predictable carry instead of unpredictable prepayments. With Michael Barr stepping aside to avoid conflict with the new administration, the already watered down Basel III Endgame proposal is now all but dead. This should act to further cement bank demand for MBS, adding to the potential of the sector.

For the reasons outlined, we believe the Fund is quite well positioned as we enter 2025. While spreads are tight elsewhere, opportunities exist, and the Fund is overweight in these areas. Most notably is our SBA exposure, which represents about 20% of the Fund's total allocation. While normalization for just about all other bonds and sectors would represent spread widening, for our SBA bonds normalization would mean flat to tighter levels. Our holdings in MFMBS deviate from what is commonly held by other managers and in the benchmark, and we believe these more unique bonds are well positioned to outperform. Finally, Utilities are in a strong position and our overweight to them could continue to benefit the Fund. We have reduced our exposure to areas where the tightness has reached levels where we judge the risk-adjusted return is inadequate versus alternatives.

Fund Facts

Class	Inception Date	Symbol	CUSIP	Annual Fund Operating Expense Ratio Total	Net
A Shares	08/16/10	**TCPAX**	89155T102	0.94%	0.76%
C Shares	08/01/11	**TCPCX**	89155T201	2.49%	1.45%
Y Shares	11/15/91	**TCPYX**	89155T409	0.50%	0.50%
INST Shares	08/01/11	**TCPNX**	89155T300	0.48%	0.41%
R6 Shares	11/22/21	**TIMPX**	89155T433	0.47%	0.37%
Total Fund Assets	**$597.1 Million**				

Expense ratio is annualized. Data as of the current prospectus. Touchstone Advisors has contractually agreed to waive a portion of its fees and/or reimburse certain Fund expenses in order to limit certain annual fund operating expenses (excluding Acquired Fund Fees and Expenses "AFFE," and other expenses, if any) to 0.76% for Class A Shares, 1.45% for Class C Shares, 0.51% for Class Y Shares, 0.41% for Class INST Shares and 0.37% for Class R6 Shares. These expense limitations will remain in effect until at least 01/29/26.

Share class availability differs by firm.

Annualized Total Returns

	4Q24	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Excluding Max Sales Charge							
A Shares	-2.99%	1.50%	1.50%	-2.55%	-0.55%	1.02%	4.30%
C Shares	-3.28%	0.73%	0.73%	-3.30%	-1.30%	0.42%	3.65%
Y Shares	-3.04%	1.76%	1.76%	-2.34%	-0.32%	1.27%	4.56%
INST Shares	-3.01%	1.86%	1.86%	-2.24%	-0.22%	1.38%	4.61%
R6 Shares	-2.89%	1.90%	1.90%	-2.21%	-0.23%	1.32%	4.57%
Benchmark	-3.06%	1.25%	1.25%	-2.41%	-0.33%	1.35%	4.64%
Including Max Sales Charge							
A Shares	-6.14%	-1.75%	-1.75%	-3.61%	-0.95%	0.54%	4.14%
C Shares	-4.24%	-0.25%	-0.25%	-3.30%	-1.30%	0.42%	3.65%

Max 3.25% sales charge for Class A Shares and 1% Contingent Deferred Sales Charge for Class C Shares held less than 1 year.

Benchmark - Bloomberg U.S. Aggregate Bond Index

Performance data quoted represents past performance, which is no guarantee of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than performance data given. ***For performance information current to the most recent month-end, visit TouchstoneInvestments.com/mutual-funds.*** *From time to time, the investment adviser may waive some fees and/or reimburse expenses, which if not waived or reimbursed, will lower performance. Performance by share class will differ due to differences in class expenses. Returns assume reinvestment of all distributions. Returns are not annualized for periods less than one year.*

The performance presented for Class A, C, INST and R6 Shares combines the performance of an older class of shares (Y Shares) from the Fund's inception, 11/15/91, with the performance since the inception date of each share class.

Please consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The prospectus and the summary prospectus contain this and other information about the Fund. To obtain a prospectus or a summary prospectus, contact your financial professional or download and/or request one at TouchstoneInvestments.com/resources or call Touchstone at 800.638.8194. Please read the prospectus and/or summary prospectus carefully before investing.

Touchstone Funds are distributed by **Touchstone Securities, Inc.**
A registered broker-dealer and member FINRA and SIPC

A Member of Western & Southern Financial Group

The Bloomberg U.S. Aggregate Bond Index is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and ten years.

The indexes mentioned are unmanaged statistical composites of stock market or bond market performance. Investing in an index is not possible. Unmanaged index returns do not reflect any fees, expenses or sales charges.

A Word About Risk

The Fund invests in fixed-income securities which can experience reduced liquidity during certain market events, lose their value as interest rates rise and are subject to credit risk which is the risk of deterioration in the financial condition of an issuer and/or general economic conditions that can cause the issuer to not make timely payments of principal and interest also causing the securities to decline in value and an investor can lose principal. When interest rates rise, the price of debt securities generally falls. Longer term securities are generally more volatile. The Fund invests in mortgage-backed securities and asset-backed securities which are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. The Fund invests in investment grade debt securities which may be downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO) to below investment grade status. The Fund invests in non-investment grade debt securities which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and has had more frequent and larger price changes than other debt securities. The Fund invests in U.S. government agency securities which are neither issued nor guaranteed by the U.S. Treasury and are not guaranteed against price movements due to changing interest rates. The sub-adviser considers ESG factors that it deems relevant or additive along with other material factors. The ESG criteria may cause the Fund to forgo opportunities to buy certain securities and/or gain exposure to certain industries, sectors, regions and countries. The Fund may be required to sell a security when it could be disadvantageous to do so. The Adviser engages a sub-adviser to make investment decisions for the Fund's portfolio; it may be unable to identify and retain a sub-adviser who achieves superior investment returns relative to other similar sub-advisers. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact Fund performance and cause it to experience illiquidity, shareholder redemptions, or other potentially adverse effects. Banks and financial services companies could suffer losses if interest rates rise or economic conditions deteriorate. The Fund invests in municipal securities which may be affected by uncertainties in the municipal market related to legislation or litigation involving the taxation of municipal securities or the rights of municipal security holders in the event of bankruptcy and may not be able to meet their obligations. The Fund invests in mortgage dollar rolls which involve increased risk and volatility, as the securities the Fund is required to repurchase may be worth less than the securities that the Fund originally held. The Fund's service providers are susceptible to cyber security risks that could result in losses to a Fund and its shareholders. Cyber security incidents could affect issuers in which a Fund invests, thereby causing the Fund's investments to lose value. Current and future portfolio holdings are subject to change.

Not FDIC Insured | No Bank Guarantee | May Lose Value

Touchstone Investments®
DISTINCTIVELY ACTIVE®

800.638.8194 • TouchstoneInvestments.com